



# **Wastewater Treatment Division 2009 Sewer Rate Proposal**

**MWPAAC**  
**April 23, 2008**

# **Today's presentation**



**Rate Proposal Summary**  
**Drivers of 2009 Rate**  
**Capacity Charge**  
**Debt Service Structure**  
**Rate comparison**

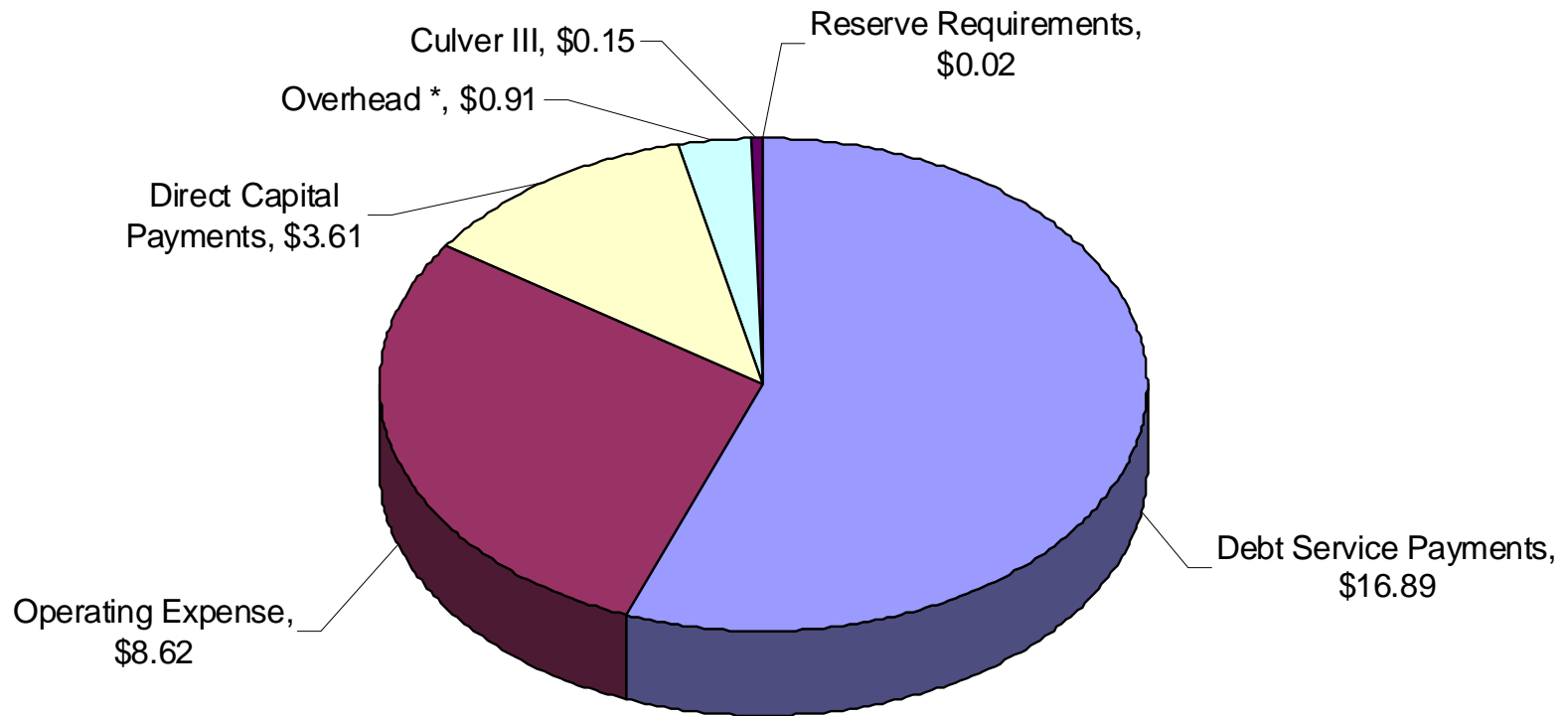
# Summary of 2009 Proposal

- Sewer Rate \$30.20 per month
  - *Single year rate proposal*
- Capacity Charge \$47.64 per month
  - *3 percent increase from current rate of \$46.25*
- Capitalized interest debt service structure through mid 2011

# Key factors

- Capital spending performance strong
- Capital spending at peak in 2008-09
- RCE growth seen to slow in 2009-11
- Bond interest rates up
- Investment earnings down
- Capitalized interest debt service structure through mid 2011

# Composition of \$30.20 rate



\* Overhead reflects allocated charges from DNRP and other County agencies

## 2009 Rate Impacts: Changes Since the 2008 Adopted Rate

2008 Forecast, 2009 Rate	<b>\$32.95</b>
--------------------------	----------------

### Changes:

Lower Interest Rates on Interest Earning	\$0.85
--	--------

Increase in Bond Interest Rates	\$0.75
---------------------------------	--------

No Surety Bonds in 2008-09	\$0.20
----------------------------	--------

Lower 2009 Operating Expenditures	(\$0.20)
-----------------------------------	----------

Reduced 2008-09 Capital Expenditures	(\$0.20)
--------------------------------------	----------

Other Changes*	(1.40)
----------------	--------

2009 Forecast, 2009 Rate with Principal & Interest Bond Issues	<b>\$32.96</b>
---	----------------

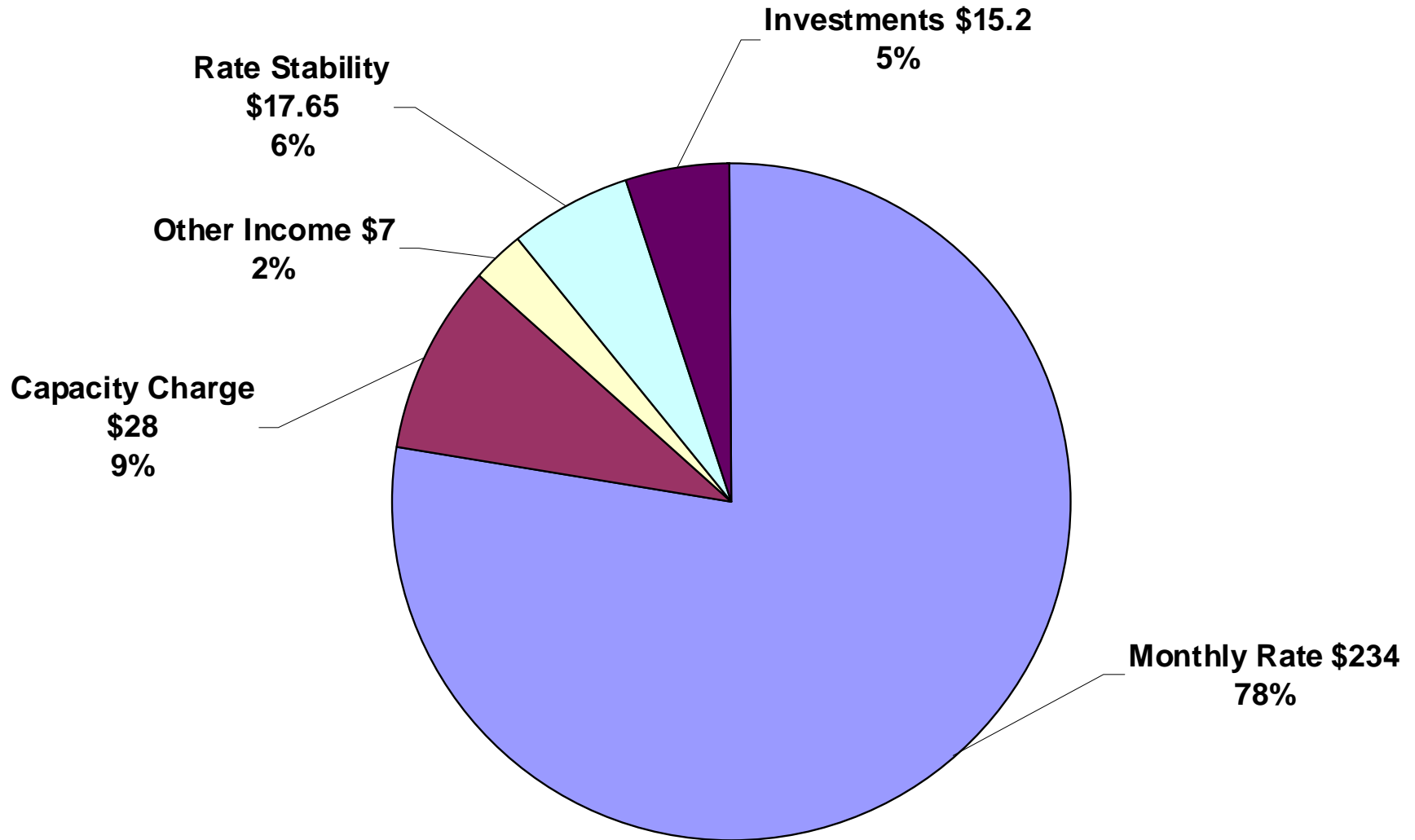
2008-09 Capitalized Interest and Interest Only Bonds	<u>(\$2.76)</u>
---	-----------------

2009 Proposed Rate	<b>\$30.20</b>
--------------------	----------------

\* other changes include -\$0.97 from greater than planned revenues in 2007 plus -\$0.83 from a change in bond issuance timing plus +\$0.40 from higher than anticipated capital expenditure in 2007 and other factors.



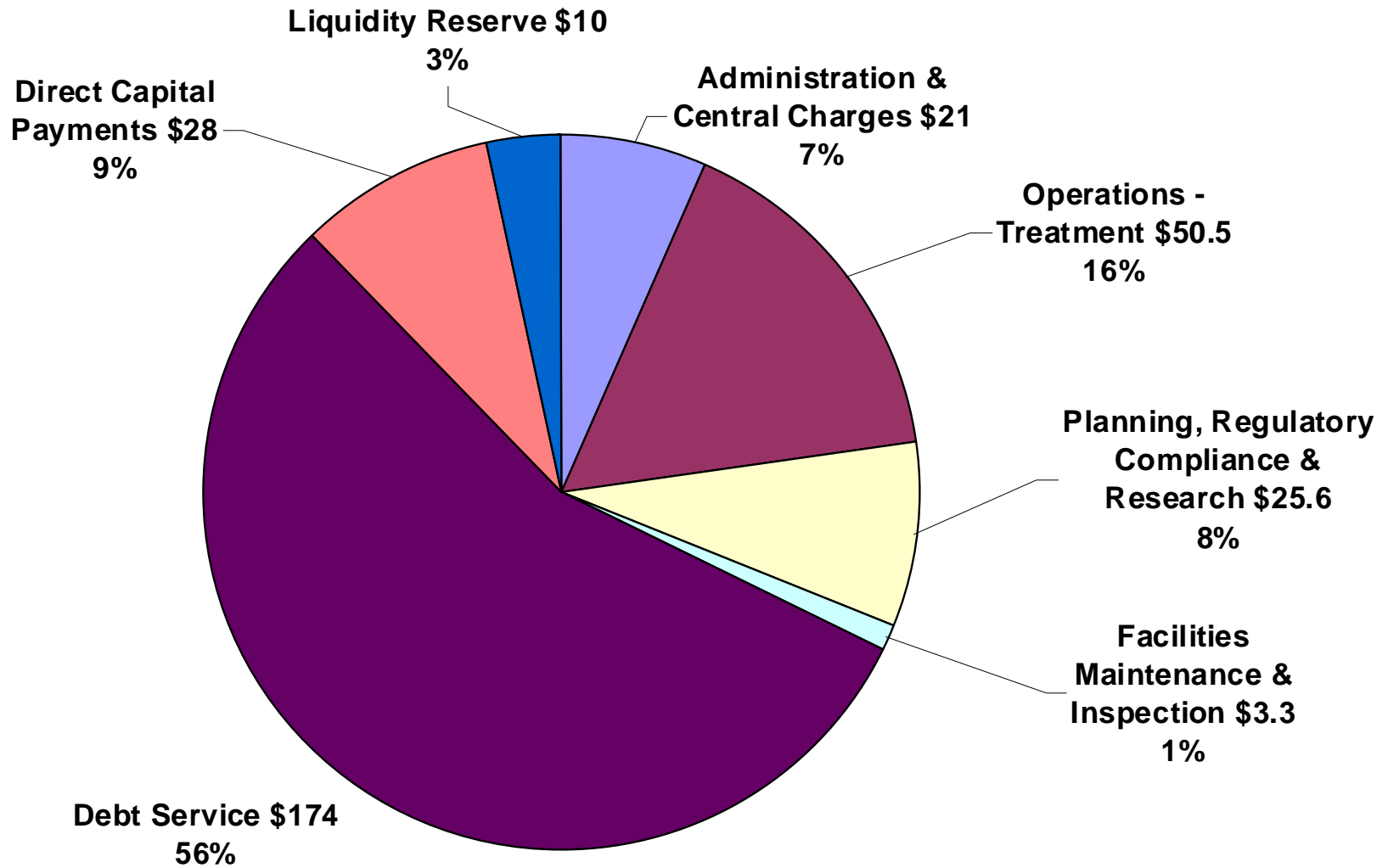
# Two sources account for 87% of operating revenue



WTD Sources of 2008 Operating Revenues 2008  
Adopted Budget \$302 million



# Capital and Debt Service account for 65% of annual expenses

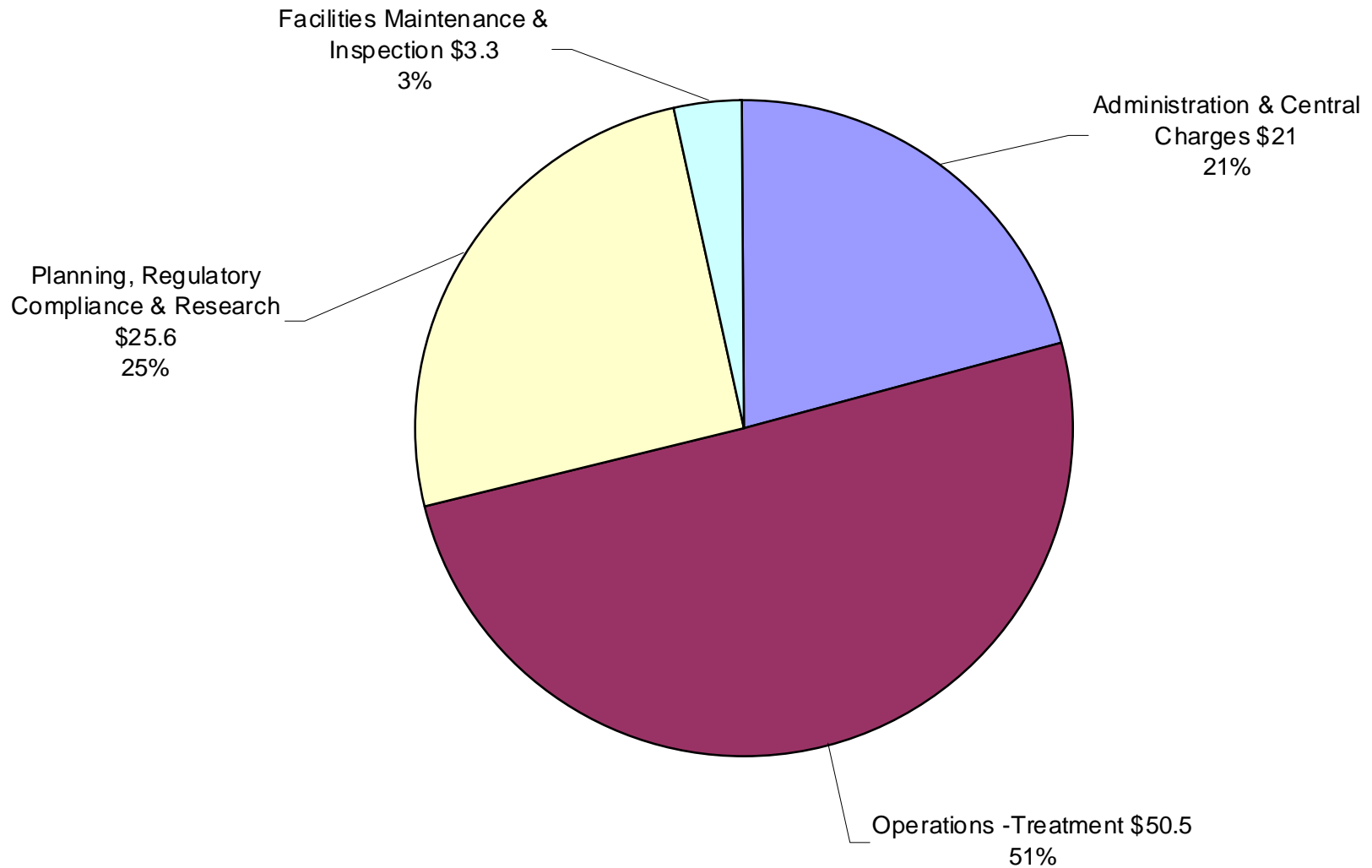


WTD Use Of 2008 Operating Revenues  
2008 Adopted Budget \$302 million





# Operating Expenses in 2008



WTD Use Of 2008 Operating Expenses  
2008 Adopted Budget \$100.4 million



# Capital accomplishment very close to planned for second year

## Capital Program Performance

Recent Capital Spending: Actual Compared to Planned						
Category	Planned 2006 Cashflow	Actual 2006 Spending	Percent of Planned	Planned 2007 Cashflow	Actual 2007 Spending	Percent of Planned
Asset Management Total	\$49,023,889	\$38,409,876	78%	\$58,305,923	\$50,249,266	86%
Major CIP Total	\$51,779,466	\$46,251,107	89%	\$69,151,510	\$64,938,354	94%
Brightwater Facilities Total	\$169,115,019	\$170,106,950	101%	\$224,340,378	\$213,733,086	95%
Planning Total	\$15,220,328	\$11,748,462	77%	\$14,881,406	\$11,655,636	78%
Grand Total	\$285,138,702	\$266,516,394	93%	\$366,679,217	\$340,576,342	93%



# 2008 and 2009 are peak of capital spending

## Summary of Capital Changes Wastewater Treatment Division Capital Program 2008 Adopted CIP to 2009 Updated Cashflow

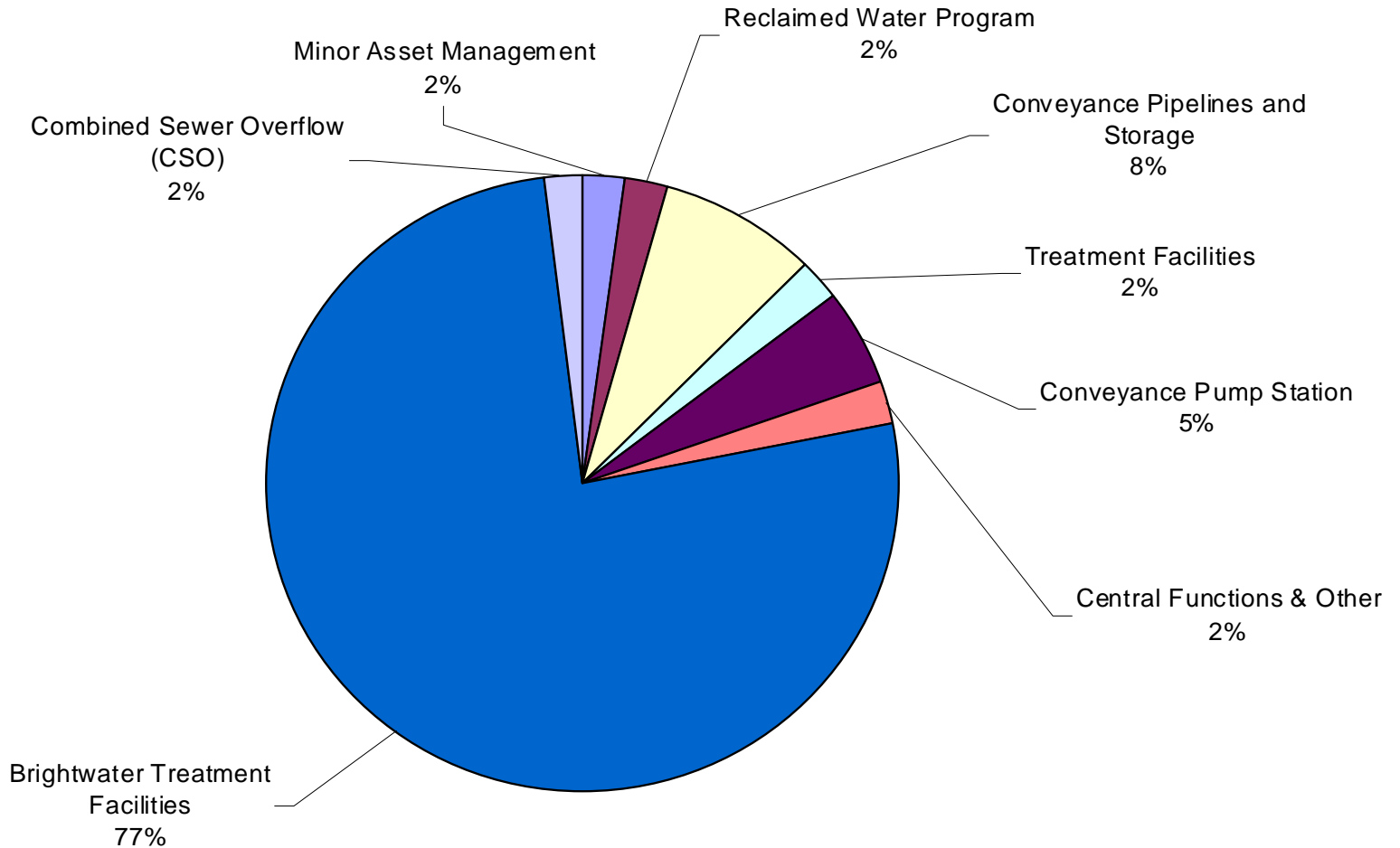
	2008	2009	2010	2011	2012
Baseline 2008 Adopted Budget	\$503,224,424	\$604,138,185	\$285,596,606	\$244,918,913	\$150,602,001
Non-Brightwater	\$156,338,292	\$135,321,546	\$134,195,320	\$100,191,415	\$150,602,001
Brightwater	\$346,886,132	\$468,816,639	\$151,401,286	\$144,727,498	\$0
+ Non Brightwater Change	(\$26,702,570)	(\$13,218,118)	(\$28,620,493)	\$15,705,520	(\$61,735,218)
+ Brightwater Change	\$18,642,256	(\$65,168,740)	\$117,236,377	(\$49,710,403)	\$24,641,741
2009 Update	\$495,164,109	\$525,751,328	\$374,212,489	\$210,914,030	\$113,508,524
2009 Financial Plan Cashflow*	\$457,442,332	\$487,253,418	\$344,944,382	\$188,778,635	\$156,751,409
Non Brightwater (85%)	\$110,190,363	\$103,787,914	\$89,738,603	\$98,512,395	\$75,536,766
Brightwater (95%)	\$347,251,968	\$383,465,504	\$255,205,779	\$90,266,240	\$81,214,643

\* The 2009 Financial Plan cashflow is equal to the 2009 Update adjusted by the accomplishment rate indicated in parenthesis.



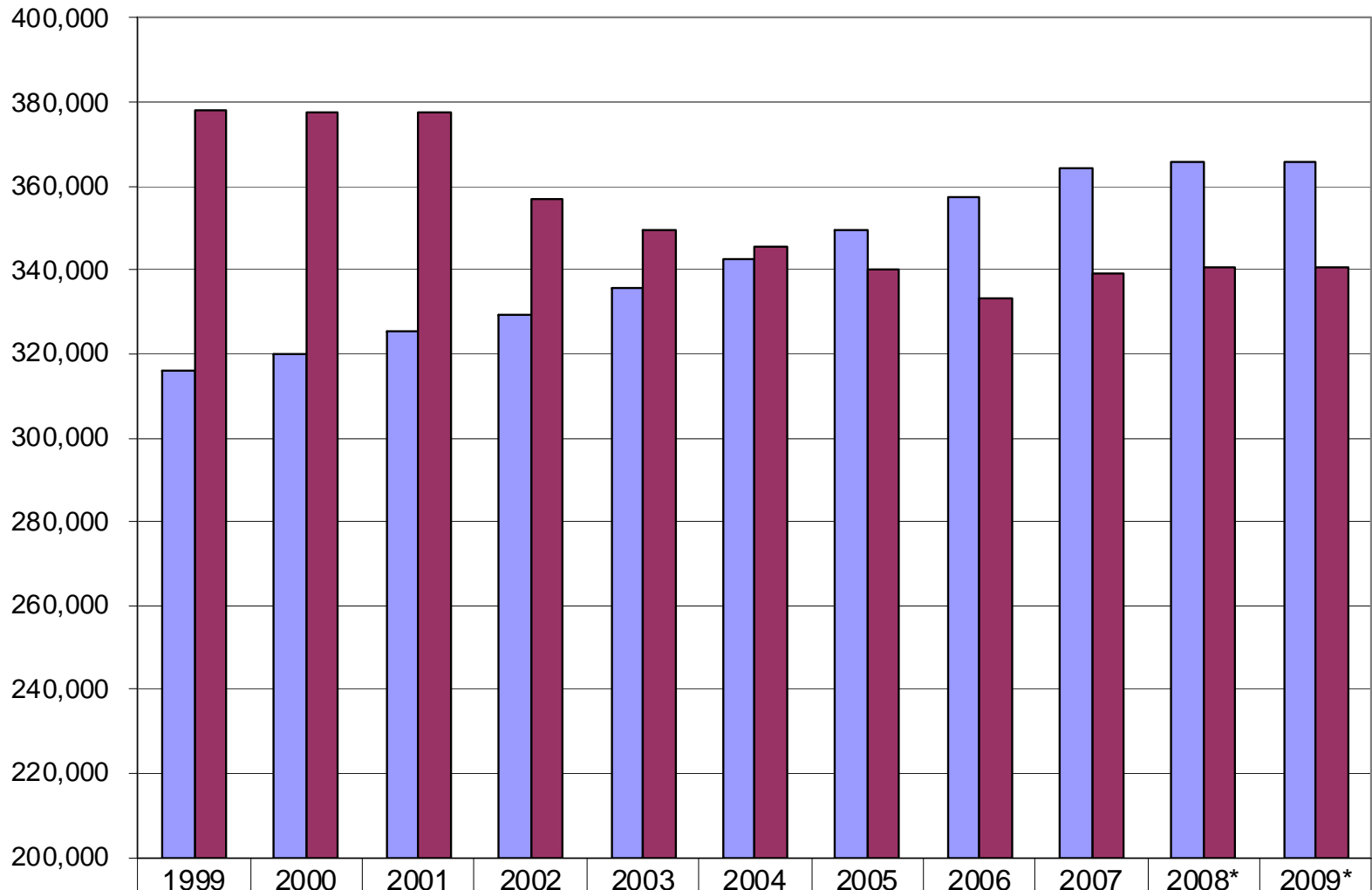
# Brightwater dominates capital spending in 2009

## Composition of 2009 Planned Capital Spending



Other includes Bisolds, Environmental Lab & I/I

# Robust 2007 RCE growth but significant slowing expected



\*Planned RCEs

## **New Connections Pay More**

- Capacity Charge is levied on new connections (not necessarily new customers) in addition to monthly rate
- Currently \$46.25
- Proposal \$47.64
  - 3 percent increase
  - monthly for 15 years (\$8,575) or
  - lump-sum with a 5.5% discount (\$5,947)
- Comprehensively updated every three years (2010)

Capacity Charge

# Debt service structure used to smooth rate pattern

- Several alternatives assessed
  - Level payment -principal and interest
  - Principal deferred (interest-only)
  - Capitalized interest
  - Zero coupon bonds
  - combinations

# Debt Service structure smoothes increases

## King County Wastewater Treatment Enterprise Summary of Financing Options

	2008	2009	2010	2011	2012	2013
<b>WTD Financial Plan - 2009 Update</b>						
Projected Monthly Sewer Rate	\$27.95	\$32.96	\$37.49	\$39.45	\$40.73	\$41.13
Annual % Increase	0%	18%	14%	5%	3%	1%
<b>Executive's Proposal: Capitalized Interest - Single Year Rates</b>						
Projected Monthly Sewer Rate	\$27.95	\$30.20	\$33.05	\$36.15	\$39.05	\$42.07
Annual % Increase	0%	8%	9%	9%	8%	8%
Rate Change from 2009 Update	\$0.00	(\$2.76)	(\$4.44)	(\$3.30)	(\$1.68)	\$0.94
<b>Capitalized Interest - Two Year Rates</b>						
Projected Monthly Sewer Rate	\$27.95	\$32.15	\$32.15	\$37.05	\$37.05	\$42.07
Annual % Increase	0%	15%	0%	15%	0%	14%
Rate Change from 2009 Update	\$0.00	(\$0.81)	(\$5.34)	(\$2.40)	(\$3.68)	\$0.94
*Prepared by Seattle-Northwest Securities Corporation						





# Rate projections on track with 2004 update

